



The Conference Board

R4105-6

Volume 14, Number 8

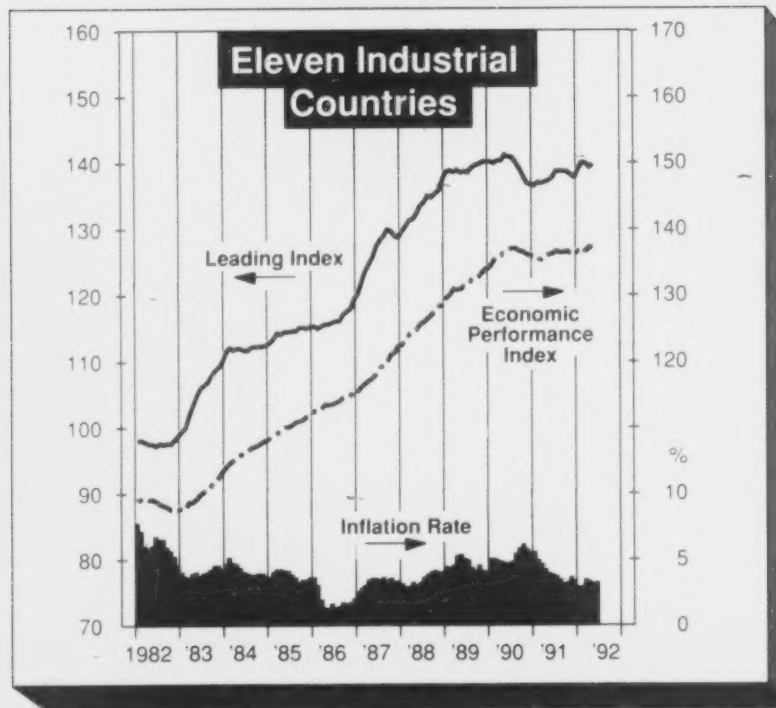
August 1992

# International Economic Scoreboard™

## Inside:

- **Global Business Cycle Still  
Directionless**
- **Unhappy Signals Persist For Japan**
- **U.S. Leaders Loverly, Economy  
Languishing**
- **United Kingdom In the Doldrums**

# World Business Cycle



## Summary of Growth Rates, Eleven Industrial Countries

|                               | Ten-year<br>Growth<br>Rate<br>1976-86 | Indexes of Economic<br>Performance<br>Growth Rates * |               |                 | Leading Business<br>Cycle Indexes<br>Growth Rates * |               |                 | Current Reading<br>on the Cycle      | Latest<br>Month<br>Covered |
|-------------------------------|---------------------------------------|------------------------------------------------------|---------------|-----------------|-----------------------------------------------------|---------------|-----------------|--------------------------------------|----------------------------|
|                               |                                       | 6 mos.<br>ago                                        | 3 mos.<br>ago | Latest<br>month | 6 mos.<br>ago                                       | 3 mos.<br>ago | Latest<br>month |                                      |                            |
| Eleven countries              | 3                                     | 0                                                    | 1             | 1               | 1                                                   | 3             | 2               | Recovery stalled, leaders improving  | May                        |
| Ten countries<br>(U.S. excl.) | 3                                     | 1                                                    | 2             | 1               | -3                                                  | -1            | -2              | Expansion stalled, leaders weak      | May                        |
| North America (2)             | 3                                     | -1                                                   | 0             | 0               | 6                                                   | 7             | 7               | Recovery underway                    | May                        |
| Europe (4)                    | 2                                     | 0                                                    | 2             | 2               | 0                                                   | 2             | 1               | Recovery underway, leaders weak      | May                        |
| Pacific Region (5)            | 4                                     | 2                                                    | 3             | 0               | -6                                                  | -4            | -8              | Expansion stalled, leaders weak      | May                        |
| United States                 | 3                                     | -1                                                   | 0             | -1              | 5                                                   | 7             | 6               | Recovery underway                    | June                       |
| Canada                        | 3                                     | 0                                                    | 0             | -1              | 0                                                   | 2             | 2               | Recovery stalled, leaders improving  | May                        |
| West Germany                  | 2                                     | 0                                                    | 2             | 1               | -1                                                  | 2             | 1               | Expansion stopped, leaders weak      | May                        |
| France                        | 2                                     | 3                                                    | 3             | 2               | 0                                                   | 4             | 3               | Expansion continuing                 | May/June                   |
| United Kingdom                | 2                                     | -4                                                   | -3            | -2              | 0                                                   | 2             | 1               | Recession continuing, leaders weak   | May                        |
| Italy                         | 2                                     | 2                                                    | 2             | 4               | -2                                                  | 0             | 0               | Expansion resuming, leaders weak     | Feb./May                   |
| Japan                         | 4                                     | 3                                                    | 3             | 0               | -9                                                  | -6            | -11             | Expansion stalled, leaders weak      | May                        |
| Korea, R.O.K.                 | 7                                     | 5                                                    | 5             | 4               | 2                                                   | 3             | 3               | Expansion slowing                    | June                       |
| Australia                     | 3                                     | -5                                                   | 0             | 0               | 0                                                   | 3             | 4               | Recession ending, leaders improving  | May                        |
| New Zealand                   | 2                                     | -1                                                   | 0             | 2               | 6                                                   | 8             | 6               | Recovery underway, leaders improving | Mar./May                   |
| Taiwan, R.O.C.                | 8                                     | 4                                                    | 5             | 7               | 6                                                   | 8             | 9               | Expansion continuing                 | June                       |

\* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.



This publication is printed  
on recycled paper.

The Conference Board, 845 Third Avenue, New York, New York, 10022  
The Conference Board Europe, Avenue Louise, 207 - Bte 5, B-1050 Brussels, Belgium  
The Conference Board of Canada, 255 Smyth Road, Ottawa, Ontario, K1H-8M7

## Overview

### *More of the Same*

The latest global business cycle data sound the same uncertain trumpet that has been heard for the past year and more. For the 11-country composites, growth rates of both the performance and leading indexes are barely on the plus side of zero. Examining the data country by country, the major departures from this pattern are:

- Japan, where the leading index continues to signal weakness ahead.
- Taiwan, where a sturdy advance in both indexes points to further economic expansion.
- The United States, Australia, and New Zealand, where the leaders show clear signs of recovery but the economy itself is languishing at or near recession levels.

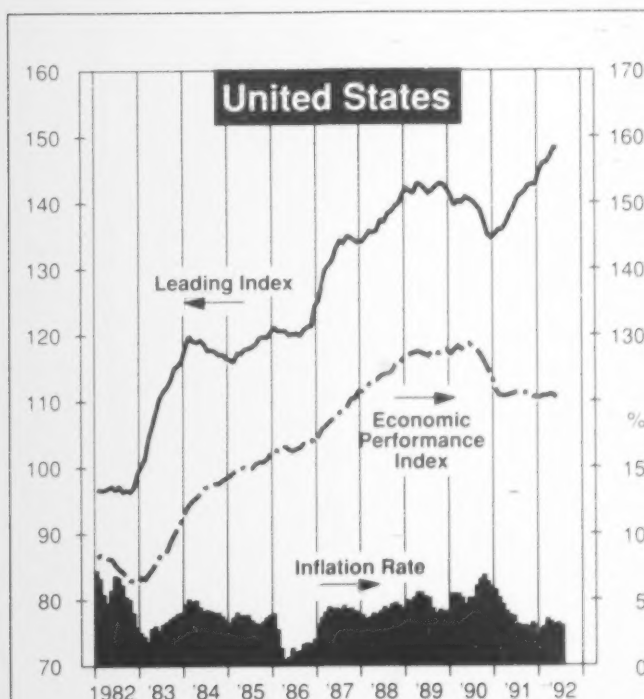
Inflation remains under control. The 11-country average is down to 3.2 percent, with inflation no greater than 6 percent in any nation. Australia is the standout with a rate of just 0.6 percent.

### Summary of Inflation Rates, Eleven Industrial Countries

|                               | Ten-year<br>Inflation<br>Rate<br>1979-89 | 6 mos.<br>ago | 3 mos.<br>ago | Latest<br>month | Current Reading<br>on Inflation | Latest<br>Month<br>Covered |
|-------------------------------|------------------------------------------|---------------|---------------|-----------------|---------------------------------|----------------------------|
| <i>annual rates, percent</i>  |                                          |               |               |                 |                                 |                            |
| Eleven countries              | 5.3                                      | 3.3           | 3.4           | 3.2             | Steady                          | June                       |
| Ten countries<br>(U.S. excl.) | 5.2                                      | 3.7           | 3.2           | 3.1             | Falling                         | June                       |
| North America (2)             | 5.6                                      | 3.0           | 3.3           | 3.0             | Steady                          | June                       |
| Europe (4)                    | 6.6                                      | 4.5           | 4.2           | 3.9             | Falling                         | June                       |
| Pacific Region (5)            | 3.4                                      | 3.1           | 2.3           | 2.2             | Falling                         | June                       |
| United States                 | 5.5                                      | 2.7           | 3.3           | 3.0             | Steady                          | July                       |
| Canada                        | 6.5                                      | 1.5           | 1.3           | 1.2             | Low and Steady                  | June                       |
| West Germany                  | 2.9                                      | 4.4           | 4.4           | 3.7             | Falling                         | June                       |
| France                        | 7.3                                      | 3.2           | 3.2           | 2.8             | Falling                         | June                       |
| United Kingdom                | 7.3                                      | 4.7           | 4.1           | 3.9             | Falling                         | June                       |
| Italy                         | 11.2                                     | 5.8           | 5.2           | 5.4             | Steady                          | June                       |
| Japan                         | 2.5                                      | 2.8           | 1.9           | 2.3             | Steady                          | June                       |
| Korea, R.O.K.                 | 8.1                                      | 8.2           | 6.4           | 5.8             | Falling                         | June                       |
| Australia                     | 8.4                                      | 2.0           | 1.9           | 0.6             | Low and Falling                 | May                        |
| New Zealand                   | 11.8                                     | 0.2           | 1.1           | 1.3             | Low but Rising                  | May                        |
| Taiwan, R.O.C.                | 4.4                                      | 5.0           | 5.2           | 3.7             | Falling                         | June                       |

\* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

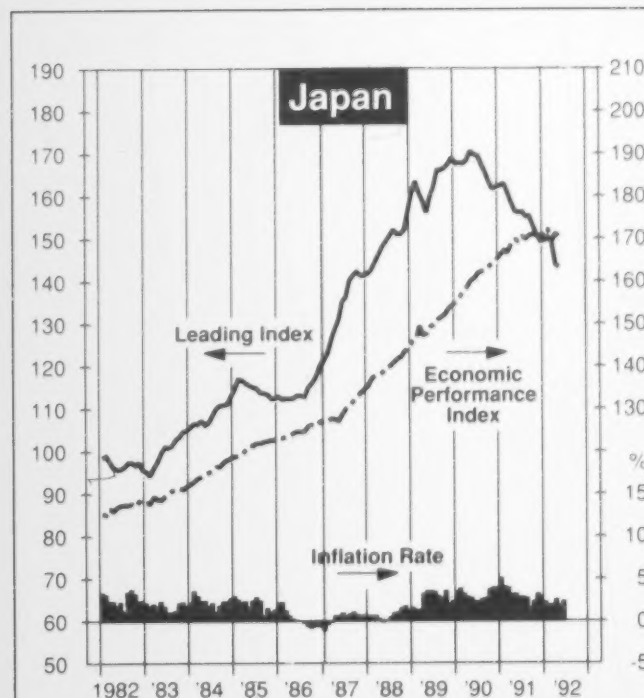
## Countries



### *Bifurcated Signals*

The U.S. business cycle continues to give off mixed signals, with the leading index advancing smartly while the performance index languishes. Among the components of the performance index, the standoff is the result of sharp increases in unemployment offset by restrained gains in industrial production, payroll employment, and manufacturing and trade sales.

Consequently, the optimists can point to the uptrend in GDP and conclude that the recession is over, while the pessimists focus on the statistic that the public is most sensitive to—unemployment—and conclude that the recession is still with us. From the technical perspective of business cycle analysis, the optimists are right, but from the general feel of the economy the pessimists are carrying the day.

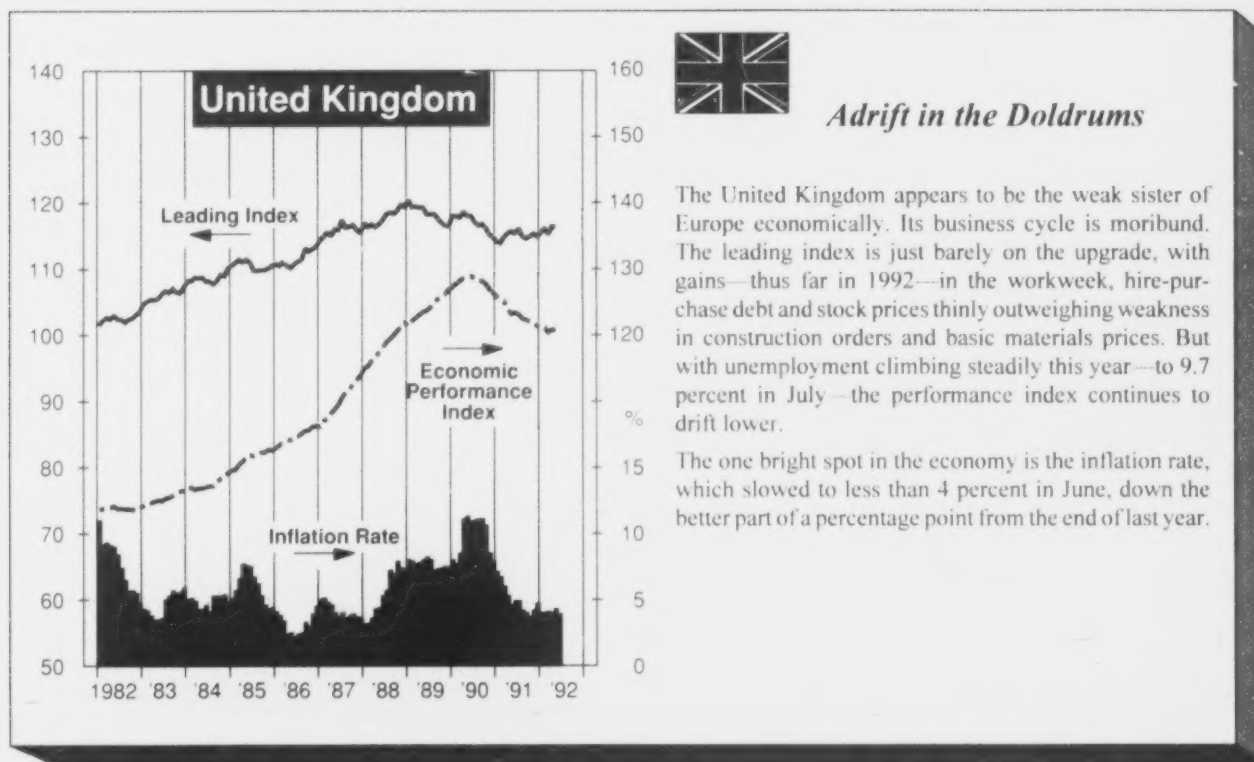


### *The Pessimism Persists*

The Japanese leading index continues in severe decline, a drop that has persisted for some two years. The further decline this year is attributable mostly to falling overtime hours, profit margins, and stock prices.

Despite the long plunge in the leaders, the economy has not followed into outright contraction. The one major component of the performance index that is declining sharply is industrial production. But the drop in factory output has been offset by continuing gains in wage and salary income and employment, leaving the performance index flat for the past twelve months. Correspondingly, most 1992 forecasts for Japanese GDP call for growth in the range of 2 to 3 1/2 percent.

Stock prices are the main concern in Japan, because about half of the banking system's capital is invested in common stocks. The worry is that the impairment in their capital base from the drop in stock prices will limit the banks' capacity to make new loans available to the economy.



## THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call “coincident” series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

# INDEXES, WORLDWIDE AND BY REGION, 1991-92

|      |    | 11 Countries                         |      | 10 Countries excl. U.S. |      | North America (2) |      | Europe (4) |      | Pacific Region (5) |      | 11 Countries          |      | 10 Countries excl. U.S. |      | North America (2) |      | Europe (4) |      | Pacific Region (5) |      |
|------|----|--------------------------------------|------|-------------------------|------|-------------------|------|------------|------|--------------------|------|-----------------------|------|-------------------------|------|-------------------|------|------------|------|--------------------|------|
|      |    | Indexes, 1980=100                    |      |                         |      |                   |      |            |      |                    |      | Growth Rates, Percent |      |                         |      |                   |      |            |      |                    |      |
|      |    | Perf                                 | Lead | Perf                    | Lead | Perf              | Lead | Perf       | Lead | Perf               | Lead | Perf                  | Lead | Perf                    | Lead | Perf              | Lead | Perf       | Lead | Perf               | Lead |
| Jan  | 91 | 136                                  | 136  | 145                     | 138  | 122               | 133  | 134        | 125  | 166                | 162  | 0                     | -4   | 4                       | -2   | -7                | -6   | 4          | 0    | 5                  | -4   |
| Feb  | 91 | 136                                  | 137  | 146                     | 138  | 121               | 134  | 134        | 126  | 167                | 162  | -1                    | -3   | 3                       | -2   | -8                | -5   | 3          | 0    | 5                  | -3   |
| Mar  | 91 | 135                                  | 137  | 146                     | 138  | 121               | 134  | 134        | 126  | 166                | 161  | -1                    | -3   | 2                       | -2   | -7                | -4   | 3          | 1    | 4                  | -4   |
| Apr  | 91 | 136                                  | 137  | 146                     | 138  | 121               | 135  | 134        | 126  | 168                | 159  | -1                    | -2   | 3                       | -2   | -6                | -2   | 2          | 1    | 5                  | -6   |
| May  | 91 | 136                                  | 137  | 146                     | 137  | 121               | 136  | 134        | 126  | 169                | 158  | 0                     | -1   | 3                       | -2   | -5                | 0    | 2          | 1    | 5                  | -7   |
| June | 91 | 136                                  | 138  | 146                     | 137  | 121               | 137  | 135        | 127  | 169                | 157  | 0                     | 0    | 2                       | -2   | -4                | 2    | 2          | 2    | 4                  | -6   |
| July | 91 | 137                                  | 139  | 147                     | 138  | 122               | 138  | 135        | 127  | 170                | 158  | 1                     | 1    | 3                       | -1   | -3                | 4    | 2          | 2    | 4                  | -5   |
| Aug  | 91 | 136                                  | 139  | 147                     | 137  | 122               | 139  | 134        | 127  | 170                | 157  | 0                     | 1    | 2                       | -1   | -2                | 5    | 1          | 2    | 4                  | -5   |
| Sept | 91 | 136                                  | 139  | 147                     | 137  | 122               | 139  | 134        | 126  | 170                | 157  | 0                     | 2    | 2                       | -1   | -2                | 5    | 0          | 1    | 4                  | -4   |
| Oct  | 91 | 137                                  | 139  | 147                     | 136  | 122               | 140  | 135        | 126  | 170                | 156  | 1                     | 1    | 2                       | -2   | -1                | 6    | 1          | 0    | 3                  | -5   |
| Nov  | 91 | 136                                  | 138  | 147                     | 135  | 121               | 140  | 134        | 126  | 170                | 154  | 0                     | 1    | 1                       | -3   | -1                | 6    | 0          | 0    | 2                  | -6   |
| Dec  | 91 | 136                                  | 138  | 146                     | 135  | 121               | 140  | 134        | 126  | 170                | 152  | 0                     | 0    | 0                       | -3   | -1                | 5    | 0          | -1   | 2                  | -7   |
| Jan  | 92 | 137                                  | 139  | 148                     | 135  | 121               | 142  | 135        | 127  | 171                | 153  | 1                     | 2    | 2                       | -2   | -1                | 7    | 1          | 1    | 3                  | -6   |
| Feb  | 92 | 137                                  | 140  | 148                     | 136  | 121               | 143  | 136        | 128  | 172                | 153  | 1                     | 3    | 2                       | -1   | 0                 | 7    | 2          | 2    | 3                  | -4   |
| Mar  | 92 | 138                                  | 140  | 147                     | 136  | 121               | 143  | 135        | 128  | 169                | 153  | 0                     | 2    | 0                       | -1   | 0                 | 6    | 1          | 2    | 0                  | -4   |
| Apr  | 92 | 137                                  | 139  | 148                     | 134  | 121               | 144  | 136        | 128  | 171                | 149  | 1                     | 1    | 2                       | -2   | 0                 | 6    | 2          | 2    | 2                  | -8   |
| May  | 92 | 137                                  | 140  | 148                     | 134  | 121               | 145  | 136        | 128  | 170                | 148  | 1                     | 2    | 1                       | -2   | 0                 | 7    | 2          | 1    | 0                  | -8   |
|      |    | Ten Year Annual Growth Rate, Percent |      |                         |      |                   |      |            |      |                    |      |                       |      |                         |      |                   |      |            |      |                    |      |
|      |    | 3                                    | 3    | 3                       | 3    | 3                 | 3    | 3          | 3    | 2                  | 2    | 4                     | 4    | 4                       | 4    | 4                 | 4    | 4          | 4    | 4                  | 4    |